

Message Text

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PAGE 01 NEW DE 18135 161336Z
ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00
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E.O. 11652: N/A
TAGS: EAIR IN
SUBJECT: CIVAIR: PANAM REMITTANCE PROBLEMS

1. THE SUBJECT OF PANAM'S REMITTANCE PROBLEMS HAS COME UP IN CONVERSATIONS BETWEEN ECON COUNSELOR AND MINFANACE OFFICIALS ON VIRTUALLY A WEEKLY BASIS. UNTIL THIS WEEK, OUR EFFORTS HAVE BEEN REBUFFED WITH THE COUNTER-ARGUMENT THAT THE RESERVE BANK IS PROCESSING REMITTANCE APPLICATIONS WITHIN A STRICT 6-WEEK TIME LIMIT. MOST RECENTLY, HOWEVER, MINFINANCE JOINT SECRETARY KRISHNASWAMY SHOWED SOME INTEREST IN IDEA OF RELATING PERCENTAGE OF REQUEST WHICH GAINS AUTOMATIC APPROVAL INVERSELY TO PERCENTAGE OF FUNDS BLOCKED FOR IMPROPER DOCUMENTATION. THIS WOULD WORK TO PANAM'S ADVANTAGE.

2. AT ECON COUNSELOR'S REQUEST, PANAM REP PEDERSEN AND OTHER MEMBERS OF HIS STAFF CAME TO EMBASSY DECEMBER 15 TO DISCUSS ACTUAL FIGURES ON MONTHLY REMITTANCE REQUESTS AND REJECTIONS. WE HAVE DRAWN ON PANAM'S FIGURES TO PRESENT WRITTEN PROPOSAL THAT AUTOMATIC APPROVAL OF REMITTANCE REQUEST BE RAISED TO 90 PERCENT IN THE CASE OF PANAM AND THAT GOVERNMENT ADOPT EXPLICIT POLICY OF LINKING SUCH APPROVAL TO ADEQUACY OF SUPPORTING DOCUMENTATION. LETTER POINTS OUT THAT FOR THE FIRST 9 MONTHS OF 1976, REJECTION OF PANAM REMITTANCE REQUESTS HAVE AVERAGED LESS THAN 0.3 PERCENT.

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3. WE CANNOT SAY AT THIS POINT WHETHER THIS EFFORT WILL SUCCEED WHERE EARLIER ONES HAVE FAILED. WE FEEL WRITTEN EXCHANGE IS USEFUL AT THIS TIME IN CASE WE SHOULD WISH TO PURSUE MATTER AT ECON AND COMMERCIAL SUBCOMMISSION MEETING. IN ANY EVENT WE BELIEVE MINISTRY OF FINANCE WILL HAVE PROSPECT OF SUBCOMMISSION MEETING IN MIND AS THEY CONSIDER HOW TO REPLY TO OUR LETTER.

4. DEPARTMENT SHOULD BE AWARE THAT WHILE PANAM HOLDS LARGE CURRENT BALANCES IN INDIA, REMITAANCE QUESTION ITSELF IS NOT A MAJOR ISSUE TO PANAM IN REAL TERMS. INCREASE OF AUTOMATIC APPROVAL LEVEL FROM 50 TO 90 PERCENT WILL BRING ABOUT ONE TIME TRANSFER OF APPROXIMATELY \$200,000 FROM PANAM ACCOUNTS IN INDIA TO PANAM ACCOUNTS IN US. WE ALSO NOTE FROM DATA PROVIDED BY PANAM THAT IN RECENT MONTHS, THE DELAY IN FINAL CLEARANCES FOR REMITTANCES HAS BEEN CUT FORM 8-9 WEEKS TO 5 WEEKS. WE BELIEVE THIS REFLECTS GOVERNMENT'S EFFORT TO BE RESPONSIVE TO OUR DEMARCHES IN THIS REGARD

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Margaret P. Grafeld
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